

Message Text

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SUBJECT: US-JAPAN TRADE AND ECONOMIC POLICY TALKS, 1978

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1. SUMMARY: EMBASSY CONCURS IN SUBSTANCE OF TENTATIVE SCHEDULE OF HIGH LEVEL MEETINGS WITH JAPANESE IN 1978, AND URGES THAT MAXIMUM EFFORT ALSO BE GIVEN TO USUAL DIPLOMATIC CHANNELS FOR RESOLVING PROBLEMS AND DEFINING ISSUES. AMBASSADOR'S INFLUENCE IN JAPANESE CONTEXT WILL ALSO PROVIDE KEY SUPPORT. END SUMMARY.

2. YOUR PROPOSED GENERAL OUTLINE OF CONTACTS WITH JAPANESE IN 1978 LOOKS TO US AS WELL PAGED AND REASONABLE. ALTHOUGH ADJUSTMENTS MAY HAVE TO BE MADE TO MEET CHANGING CONDITIONS, BROAD SCHEDULE IS A SOUND FRAMEWORK FOR PLANNING.

3. WE STRONGLY SUPPORT PLAN FOR CEA CHAIRMAN SCHULTZE TO VISIT TOKYO IN APRIL. JAPANESE ECONOMIC PERFORMANCE IS A DELICATE AND CONFIDENTIAL

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IMPORTANT QUESTION. SCHULTZE IS IN A UNIQUE POSITION TO MAKE OUR CASE WITHOUT DICTATING OR SEEMING TO DICTATE TO JAPAN ON INTERNAL POLICY, AND HE CAN ALSO ESTABLISH A FAVORABLE PROFESSIONAL ATTITUDE IN WHICH LATER FORECASTING GROUP MEETINGS CAN BE HELD. WE BELIEVE MID-APRIL SCHEDULE WILL BE AGREEABLE AND HAVE SUGGESTED YOUR DATES TO GOJ.

4. A SUB-CABINET MEETING IN AUGUST OR SOON AFTER IS ESSENTIAL, BUT SOME ADJUSTMENT IN TIMING MAY BE NECESSARY IF THERE IS A GENERAL ELECTION IN JAPAN. MANY JAPANESE OFFICIALS WOULD ALSO PREFER A DATE AFTER SEPTEMBER 1 SINCE AUGUST IS THE PREFERRED TIME FOR VACATIONS.

5. THROUGHOUT THIS YEAR THERE WILL BE A CONTINUING DIALOGUE WITH THE JAPANESE THROUGH USUAL DIPLOMATIC CHANNELS AND ALSO THROUGH THE JOINT TRADE AFFILIATION COMMITTEE WHICH WILL HAVE A SENIOR REVIEW COMMITTEE MEETING ON MARCH 13. WE HOPE YOU WILL MAKE THE MOST OF THOSE CHANNELS TO PRODUCE ADDED GAINS AND BETTER DEFINE ISSUES TO BE TAKEN UP AT HIGHER LEVEL MEETINGS.

6. THE AMBASSADOR HAS A UNIQUELY INFLUENTIAL ROLE IN JAPAN WHICH CAN BEST BE UTILIZED THROUGH CAREFULLY SELECTED PUBLIC APPEARANCES AND WELL-TIMED PRIVATE CONTACTS WHICH ADVANCE MAJOR U.S. OBJECTIVES. THIS IS AN ADDITIONAL MEANS WHICH HAS ALREADY PROVEN ITS USEFULNESS FOR ADVANCING U.S. INTERESTS AND WE KNOW YOU WILL KEEP IT IN MIND.

7. AS FOR A GENERAL ELECTION THIS YEAR, FUKUDA WOULD CLEARLY LIKE TO CALL ONE TO SECURE HIS HOLD ON LDP AND PRIME MINISTERSHIP. TWO KEY ELEMENTS IN PLANNING WOULD BE THE STATE OF THE U.S.-JAPAN RELATIONSHIP AND THE STATE OF THE DOMESTIC ECONOMY. MOST HERE BELIEVE THAT ELECTION, IF IT COMES, IS MOST LIKELY BETWEEN MID-MAY AND MID-SEPTEMBER. FUKUDA STRATEGISTS HAD COUNTED POSSIBLY

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ON USING SUCCESSFUL EARLY MAY MEETING WITH PRESIDENT AS SPRINGBOARD FOR JUNE ELECTION. SLIPPAGE OF THAT MEETING MAKES IT QUESTIONABLE WHETHER 30-40 DAYS NECESSARY TO HOLD ELECTION AND REORGANIZE GOVERNMENT BEFORE BONN SUMMIT WILL BE POSSIBLE. POST-BONN THERE WOULD BE NO OBVIOUS REASON FOR DISSOLUTION.

8. POWERFUL FORCES OF COURSE OPPOSE CALLING AN ELECTION THIS SUMMER; OPPOSITION PARTIES WOULD OPPOSE BECAUSE THEY FEAR LOSS OF SEATS, BUSINESS COMMUNITY HESITATES TO SEE TWO MONTH VACUUM IN LEADERSHIP DURING CAMPAIGN AND RE-ESTABLISHMENT OF GOVERNMENT FOLLOWING ELECTION; LDP FACTIONS OPPOSING FUKUDA DO NOT WANT AN ELECTION THIS YEAR BECAUSE IT WOULD VERY LIKELY MEAN AN EXTENSION OF FUKUDA'S PRIME MINISTERSHIP. ON BALANCE, ODDS NOW SEEM AGAINST 1978 ELECTION.

9. WOULD BE HAPPY TO ARRANGE PROGRAM FOR HEGINBOTHAM MARCH 8-10. GOJ AT THAT TIME WILL HAVE LITTLE TO ADD TO ITS ECONOMIC PROJECTIONS FOR JFY-78 SINCE BUDGET BILL WILL STILL BE PENDING IN DIET, BUT CONSULTATIONS WOULD NEVERTHELESS BE USEFUL.

10. WE ARE DEVELOPING AN OUTLINE FOR A PERIODIC REPORT ON PROGRESS ON THE STRAUSS-USHIBA JOINT STATEMENT AND WILL PROVIDE

FIRST SUCH REPORT AND COMMENT IN DUE COURSE.
MANSFIELD

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